

## Message Text

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43

ACTION ARA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-03 PA-01 PRS-01 USIA-06

IO-10 /098 W

----- 022976

R 241431Z FEB 75

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 9344

INFO AMEMBASSY CARACAS

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY PANAMA

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EMBASSY GUATEMALA ALSO PASS ROCAP

E.O. 11652: N/A

TAGS: EFIN, HO

SUBJECT: FINANCIAL ARRANGEMENTS: HONDURAN/VENEZUELAN PETROLEUM

REF: A) STATE 031596, B) GUATEMALA 0913

1. FOLLOWING RESPONSES TO REF A APPLY TO HONDURAS.

2. FORMAL ACCEPTANCE QUESTION, ACCORDING TO CENTRAL BANK  
OFFICIAL, HONDURAS AND VENEZUELA MUST PREPARE "REGLAMENTOS"  
(REGULATIONS) TO GOVERN AGREEMENT. AN AGREEMENT BETWEEN  
THE CENTRAL BANK OF HONDURAS AND THE FONDO DE INVERSIONES  
DE VENEZUELA (FIV) HAS BEEN SIGNED. PETROLEUM AGREEMENT  
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AND COFFEE AGREEMENT OBTAINED AND POUCHED TO ARA/CEN.

3. LIKELY DRAWDOWNS. THE DEPOSITS SHOULD TOTAL \$106 MILLION IN SIX YEARS. NO IMMEDIATE DRAWDOWNS ARE SCHEDULED BY GOH. DEMANDS FOR USE OF THE FUNDS ARE ALREADY APPEARING AT THE CENTRAL BANK FROM THE PRIVATE SECTOR, THE PLANNING COUNCIL, AND OTHER AGENCIES OF THE GOH. NONETHELESS IT IS THE INTENTION OF THE CENTRAL BANK TO ISOLATE THE FUNDS AGAINST RASH USE.

4. USE OF FUNDS FOR B/P OR DEVELOPMENT. INITIAL USE OF FUNDS WILL BE FOR CENTRAL BANK FOREIGN EXCHANGE RESERVES "WINDOW DRESSING." DEPOSITS WILL BE CONVERTED TO INTEREST-BEARING INVESTMENTS (AS NOTED REFTEL B) SUCH AS U.S. TREASURY OBLIGATIONS.

5. HONDURAS WILL PAY FULL COMMERCIAL PRICE FOR ITS OIL IMPORTS UP TO QUOTA MAXIMUM AFFECTED BY THE AGREEMENT. ON DEPOSIT BY GOV CENTRAL BANK IN FIV, GOH CENTRAL BANK WILL SIMULTANEOUSLY ISSUE CERTIFICATE OF DEPOSIT. DEPOSIT THEN BECOMES PROPERTY OF GOH CENTRAL BANK FOR SUCH USE AS IT SEES CONVENIENT. DEPOSIT MIGHT BE IN VENEZUELA OR NEW YORK.

6. IF GOH CENTRAL BANK WISHES TO USE FUNDS FOR DEVELOPMENT PURPOSES, IT WOULD REPURCHASE ITS CERTIFICATES OF DEPOSIT AND NEGOTIATE A SPECIFIC DEVELOPMENT PROJECT LOAN FOR 25 YEAR TERM.

7. WE CONSIDER THE ABOVE SYSTEM DOES REQUIRE REAL TRANSFER TO VENEZUELA SINCE COMMERCIAL PRICE MUST BE PAID FOR OIL.

8. THE ONLY RESTRICTION ON THE USE OF FUNDS UNDER THE SIX-YEAR LOAN IS "GOOD SENSE," ACCORDING TO THE GOH CENTRAL BANK.

9. THE DEPOSIT DOES BELONG TO THE CENTRAL BANK UPON ISSURANCE OF THE CERTIFICATE OF DEPOSIT. SINCE ISSUANCE AND DEPOSIT ARE CONCURRENT, REFTEL A QUESTION DOES NOT ARISE.

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10. COMMENT: SPECIFIC REGULATIONS BY THE GOV AND GOH ARE NOT A CURRENT ITEM OF DRAFTING, BUT MUST BE DONE PRIOR TO APRIL 1. THE GOH CENTRAL BANK STRONGLY FEELS THE NECESSITY TO ISOLATE THE FUNDS FROM INTERNAL SPENDERS IN ITS REGULATIONS. THERE IS EXPRESSED CONCERN IN THE CENTRAL BANK ABOUT ASSUMING BOLIVAR OBLIGATIONS, BUT IT IS DOUBTFUL THE GOV WILL ACCEPT ANYTHING LESS THAN THE

50 PERCENT BOLIVAR AND 50 PERCENT DOLLAR COMPOSITION OF THE  
DEPOSITS IN FIV.  
SANCHEZ

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## Message Attributes

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